

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6826**

**BILL NUMBER:** SB 237

**NOTE PREPARED:** Dec 19, 2003

**BILL AMENDED:**

**SUBJECT:** Insurer Notice of Coverage.

**FIRST AUTHOR:** Sen. Broden

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires certain insurers to notify enforcement authorities in a first or second class city concerning the existence of coverage for a building or structure that is located in the city and damaged by fire or explosion. (Under current law this requirement is limited to certain cities in Lake County.)

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** An insurer that issued an insurance policy covering a building or other structure that is located in a city and damaged by a fire or explosion must notify the enforcement authority of the city about the existence of the policy. If the insurer fails to comply, the Commissioner of Insurance may revoke or suspend the company's authority to do business in the state and/or order compliance with the law. If the insurance company fails to comply with the order, the Commissioner may, in addition to other remedies conferred upon the Department of Insurance or the Commissioner, bring an action in the Marion County Circuit Court against the insurance company. Other remedies conferred upon the Department and the Commissioner include a hearing by the Commissioner.

Expanding the circumstances under which the Commissioner may conduct a hearing and allowing the Commissioner to bring action in the Marion County Circuit Court could increase administrative expenses for the Department. The impact will depend on the number and nature of noncompliance.

**Explanation of State Revenues:** As a result of a hearing, violators may be ordered to cease and desist from the practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation,

the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

**Explanation of Local Expenditures:** Requiring insurers to notify city enforcement authorities that a building is insured could facilitate the city demolition process in case a demolition is necessary, which could reduce administrative expenses for the city. However, this impact is not expected to be significant.

If the Commissioner elects to bring action against the insurer, the Commissioner must bring the action to the Marion County Circuit Court. In that action, a change of venue from the judge, but no change of venue from the county, is permitted. This provision may result in additional administrative expenses for the Marion County Circuit Court; however, the impact is not expected to be great.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Insurance.

**Local Agencies Affected:** First or second class cities and the Marion County Circuit Court.

**Information Sources:**

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.